

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CIAE-00 COME-00
INR-07 LAB-04 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00
FRB-03 OMB-01 IO-13 ITC-01 L-03 SS-15 NSC-05
EUR-12 SSO-00 NSCE-00 INRE-00 /091 W
-----086595 262136Z /73

O 262027Z JUL 77

FM AMCONSUL RIO DE JANEIRO

RUDTC/AMEMBASSY LONDON NIACT IMMEDIATE 496

INFO SECSTATE WASHDC 5135

AMEMBASSY BRASILIA IMMEDIATE

AMCONSUL SAO PAULO PRIORITY

C O N F I D E N T P U W L L RIO DE JANEIRO 3513

E.O. 11652: GDS

TAGS: EPAP, ECON, BR

SUBJECT: SUGAR CONSULTATIONS -- CALL ON IAA PRESIDENT

REF: LONDON 12242

FOR ASSISTANT SECRETARY KATZ FROM CONSUL GENERAL

1. ACCOMPANIED BY ECON/COMMERCIAL SECTION CHIEF
GORDON JONES, I CALLED ON INSTITUTO DE ALCOOL D ACUCAR
(IAA) PRESIDENT GEN, ALVARO TAVARES CARMO ON JULY 26
TO STRESS IMPORTANCE THIS WEEK'S SUGAR CONSULTATIONS IN
OBTAINING EVENTUAL NEW SUGAR AGREEMENT, AS REQUESTED
PARA. 4 REFTEL. MY PRESENTATION WAS ALONG LINES
SUGGESTED REFTEL, POINTING OUT THAT WE WERE ALSO AP-
PROACHING ITAMARATY WITH SIMILAR APPEAL FOR MORE
ACTIVE BRAZILIAN ROLE IN TALKS. I STRESSED THAT USG
STRONGLY PREFERRED NEW INTERNATIONAL SUGAR AGREEMENT TO
A DOMESTIC SUGAR PROGRAM, AND EXPRESSED U.S. INTENTAION
NOT TO RETURN TO A SYSTEM OF COUNTRY QUOTAS. I NOTED OUR
SURPRISE AT THE PASSIVE PARTICIPATION BY BRAZILIAN DEL,
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PARTICULARLY SINCE BRAZILIANS HAD PREVIOUSLY BEEN QUITE
VIGOROUS IN SUCH FORA, AND SUGGESTED WE HAD HOPED FOR MUCH
MORE LEADERSHIP FROM THEM IN SHAPING EXPORTER VIEWS AND
IN DIALOGUE WITH IMPORTERS.

2. CARMO'S MAIN LINE OF RESPONSE WAS TO POINT TO FIRM
INSTRUCTIONS RECEIVED BY BRAZILIAN DELEGATION. ALLEGING

THAT HE WAS NOT FOLLOWING THE LONDON PROCEEDINGS CLOSELY. HE SAID IAA HAD PARTICIPATED INTENSELY IN FORMULATING THE DELEGATION'S INSTRUCTIONS AND HE WAS SURE RAFFAELLI AND OTHERS ON THE DELEGATION WERE FOLLOWING THEM TO THE LETTER. (ODDLY, HE REFRAINED FROM MENTIONING PINHEIRO IN REFERRING TO INDIVIDUALS ON BRAZILIAN DELEGATION.)

3. TURNING TO THE SUBSTANCE OF USG PROPOSAL, CARMO RELATED HISTORY OF OUR MUTUAL POSITIONS ON STOCKS, SEEMING TO ACCEPT THE 3- MILLION-TON LEVEL AS REFLECTING REASONABLE FORWARD MOVEMENT IN USG POSITION. HOWEVER, HE THEN ASKED WHETHER WE WERE PERHAPS PREPARED TO DESCEND TO TWO AND HALF MILLION -- TO WHICH I REPLIED THAT WE HAD NO INFORMATION THIS ELEMENT AT THE USG POSITION. HE THEN LAUNCHED STRONG DEFENSE OF BRAZILIAN FLOOR PRICE OF 13 CENTS PER POUND, STATING THAT AVERAGE PRODUCTION COSTS WOULD ONLY JUST BE RECOVERED AT SUCH A LEVEL, AND RIDICULED THE USG PROPOSAL OF 10 CENTS.

4. THOUGH I EMPHASIZED THAT USG DID NOT INTEND TO RETURN TO SYSTEM OF COUNTRY QUOTAS, PREFERRING MARKET STABILIZATION VIA AN ISA WHICH WOULD BE BENEFICIAL TO EXPORTERS AS WELL AS IMPORTERS, CARMO REFRAINED FROM STATING IAA'S VIEWS ON A POSSIBLE US DOMESTIC PROGRAM. HE REPEATED SEVERAL TIMES THAT BRAZIL WANTED AN ISA AND WOULD WORK TO ACHIEVE ONE, AND HE SEEMED TO UNDERSTAND THE DIFFICULTY

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POSED BY POSSIBLE DOMESTIC LEGISLATION.

5. EXPLAINING BRAZIL'S RELATIVELY RELAXED POSTURE, CARMO SAID THAT MANY/OTHER LDCS ARE FAR MORE DEPENDENT UPON SUGAR EARNINGS IN THEIR BALANCES OF PAYMENTS. ONLY A THIRD OF BRAZIL'S CROP IS MARKETING ABROAD, AND SUGAR'S SHARE OF/TOTAL EXPORTS IS VERY SMALL COMPARED TO MANY OTHER SUGAR PRODUCERS.

6. IN CLOSING, CARMO REPEATED HIS REMARK THAT ITAMARATY HAD MAJOR ROLE IN SETTING AND CARRYING OUT POLICY ON SUCH NEGOTIATIONS. WHILE DEFENDING IAA'S OWN PASSIVE "TECHNICAL" ROLE, HOWEVER, HE MANAGED TO SUGGEST HIS DIRECT INTEREST IN THE PROGRESS OF THIS SESSION -- ABRUPTLY ASKING WHAT OUR IMPRESSION OF CUBAN POSITION HAD BEEN. I SAID WE HAD GENERAL FEELING THAT CUBANS MIGHT BE SOMEWHAT FLEXIBLE AND THAT THEY WERE APPARENTLY MORE INVOLVED IN DAY-TO-DAY INTERPLAY IN LONDON THAN BRAZILIANS THEMSELVES. HE APPEARED SOMEWHAT SURPRISED BY THIS, BUT SAID THAT BRAZILIAN DEL WAS INTERESTED IN AN AGREEMENT AND WOULD CONTINUE TO PLAY CONSTRUCTIVE ROLE. DESPITE HIS EARLIER POSITION OF LIMITED IAA INVOLVEMENT, CARMO GRADUALLY CONCEDED THAT HE

WAS IN FACT FOLLOWING THE PROGRESS IN LONDON RATHER CLOSELY,
AND OFFERED TO CALL ME IF HE HEARD ANY INFORMATION ON THE
SUBSTANCE OF THE DISCUSSIONS. I EXPRESSED THE HOPE THAT
HE WOULD UNDERSTAND MY EXPRESSION OF U.S. CONCERN ABOUT
POSSIBLE FAILURE OF THE CURRENT SESSIONS AND WOULD USE
HIS INFLUENCE TO ENCOURAGE A MORE ACTIVE ROLE BY BRAZILIAN
DELEGATION. FINALLY COMPLETELY ABANDONING HIS POSTURE
OF NON-INVOLVEMENT IN THE LONDON SESSION, CARMO SAID
THAT HE WOULD DIRECTLY CONVEY WORD OF OUR CONCERN TO THE
DELEGATION IN A PHONE CALL THIS EVENING, CALLING ME TOMORROW
IF THERE ANY INTERESTING NEWS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, POLICIES, PRODUCTION DATA, MEETINGS
Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977RIODE03513
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770266-1132
Format: TEL
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770718/aaaaapgp.tel
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Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LONDON 12242
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1745917
Secure: OPEN
Status: NATIVE
Subject: SUGAR CONSULATIONS -- CALL ON IAA PRESIDENT
TAGS: EPAP, ECON, BR, (TAVARES CARMO, ALVARO), (KATZ), (JONES, GORDON)
To: LONDON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c2e30d64-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009